

**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
**MINUTES OF MEETING**  
**MARCH 14, 2002**

The Members of the Department of Financial Institutions met at 9:30 a.m., EST, immediately following the Executive Session at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, March 14, 2002. Members present were Gary M. Smith, Vice Chairman; Tony Zaleski, Ronald E. Depasse, Loretta M. Burd and Briget Polichene. Also present from the Department were Charles W. Phillips, Director; J. Philip Goddard, Chief Counsel, Deputy Director, Non-Depository Institutions and Secretary; James M. Cooper, Deputy Director, Depository Division; Gina R. Williams, Senior Bank Analyst; Kirk J. Schreiber, Senior Bank Analyst, Mark K. Powell, Supervisor, Credit Union Division; Mark Tarpey, Supervisor, Consumer Credit Division; Donna R. Kaye, Assistant to Division Supervisor, Consumer Credit Division; Chris McKay, Legal Assistant and Ronda Bailey, Administrative Secretary. Guests were Connie S. Allman and George Buskirk, Jr. representing Hoosier Trust Company, Jeff Mills and Dave Worrell of Baker & Daniels and Michael Brown from Executive Media Communications Consultant. Members absent were David Baer and James Saner.

**I.) EXECUTIVE SESSION**

Mark Tarpey, Supervisor, Consumer Credit Division, updated the Members concerning reports of examinations of PayDay Lenders. The information discussed in the Executive Session was in regards to their present structure and methods of operations resulting from recent litigation and is confidential as provided in IC 28-1-2-30.

**II.) PUBLIC SESSION**

- A.)** Date of next meeting: April 18, 2002 @ 9:00 a.m.
- B.)** A motion was made for approval of the minutes of the meeting held February 14, 2002 by Mrs. Burd and was seconded by Mr. Depasse. **The minutes were unanimously approved.**
- C.)** No action was taken from the Executive Session. The presentation was for informational purposes only. Attending the Executive Session were the Members, Director Charles Phillips, Deputy Director and Chief Counsel Phil Goddard, Legal Assistant Chris McKay, Consumer Credit Supervisor Mark Tarpey, Assistant to Division Supervisor, Consumer Credit Division, Donna Kaye and Ronda Bailey, Administrative Assistant.

**DIVISION OF BANK AND TRUST COMPANIES**

**1.) Hoosier Trust Company, Indianapolis, Marion County, Indiana**

This application was presented by Mr. Kirk J. Schreiber, Senior Bank Analyst. Connie Allman, as incorporator, has applied to the Members of the Department for approval to form a state chartered corporate fiduciary to be known as Hoosier Trust Company ("Hoosier") Indianapolis, Marion

County, Indiana pursuant to IC 28-11-5. The proposed corporate

fiduciary will be a pure non-depository trust company, with no affiliation to a bank or a holding company.

Hoosier plans to provide trust and investment management services. The services will include living and testamentary trusts, managing and custodial agencies, estates and guardianship administrative services and IRA administration. Donald Steel, one of the organizers and shareholders of Hoosier, is also the principal shareholder of Planned Investment Co., Inc., ("PIC") an Indianapolis based family owned broker dealer. Hoosier intends to focus initially on the customer base established by PIC and expects to benefit from the established loyalty of existing PIC clients whom are looking for a locally owned, professionally managed trust provider.

Hoosier will operate from PIC's existing office located at 9202 North Meridian Street, Indianapolis, Indiana. Hoosier expects to have an initial staff of five individuals. This staff will include President Connie Allman, Trust Officer Justin Hawkins, an Investment Officer, an Operations Officer and one clerical position. Ms. Allman, Mr. Hawkins and Director George Buskirk, Jr. have combined approximately fifty-five (55) years of trust related experience in the Indianapolis area.

Mr. Schreiber reported background investigations were conducted on the incorporators, directors, officers and principal shareholders and no unfavorable responses were noted during the investigation of these individuals.

Hoosier's primary trade area will be comprised of Indianapolis MSA which includes Marion, Hamilton, Shelby, Johnson, Morgan, Hendricks and Boone Counties.

Hoosier believes that within central Indiana there is a growing need for a locally owned and managed corporate fiduciary. This belief is due mainly to the wake of recent acquisitions and mergers of financial institutions within the market and the customer dissatisfaction associated with traditional bank trust departments.

Mr. Schreiber reported that the corporate fiduciary's financial projections show net losses in the start-up phase and year 1 of operations. A net profit is projected for the 2<sup>nd</sup> year. The projected income figures reflect a capital deterioration of \$230M before a profit is realized. The level of assets under administration is projected to grow from \$73 million after the first year to \$441 million after the fifth year. The initial capitalization by the seven shareholders of the proposed corporate fiduciary will be \$1,750M.

With respect to the investigation of this application and pursuant to IC 28-11-5-4, it is the staff's opinion that: Factor 1) the financial standing and character of the incorporators, directors and shareholders are considered acceptable; Factor 2) the character, qualifications, and experience of

the officers and directors of the proposed corporate fiduciary are considered acceptable; Factor 3) the future earnings prospects for the corporate fiduciary appear reasonable; and Factor 4) the proposed capital of the corporate fiduciary is considered

adequate. Based on these findings, it is recommended by the staff that the formation of the corporate fiduciary be approved for Hoosier.

The Members voted on the formation of Hoosier with the following votes taken for each of the Factors:

**Factor #1** was voted upon with five favorable votes. There were no unfavorable votes. **Factor #1 was unanimously approved.**

**Factor #2** was voted upon with five favorable votes. There were no unfavorable votes. **Factor #2 was unanimously approved.**

**Factor #3** was voted upon with five favorable votes. There were no unfavorable votes. **Factor #3 was unanimously approved.**

**Factor #4** was voted upon with five favorable votes. There were no unfavorable votes. **Factor #4 was unanimously approved.**

A motion for approval of the de novo application was made by Mrs. Burd and seconded by Ms. Polichene. **The application was unanimously approved.**

2.) **First Merchants Corporation, Muncie, Delaware County, Indiana**

Mr. Kirk Schreiber, Senior Bank Analyst, presented the application. He informed the Members that First Merchants Corporation, Muncie, Indiana ("First Merchants") filed an application to acquire 100% of Lafayette Bancorporation, Lafayette, Indiana ("Lafayette"), and thereby acquire its subsidiary bank, Lafayette Bank and Trust Company, Lafayette, Indiana.

First Merchants and Lafayette entered into an Agreement of Reorganization and Merger dated October 14, 2001. First Merchants will be the surviving corporation and will continue to operate Lafayette Bank and Trust Company as a separate entity. First Merchants is a multi-bank holding company that already owns eight banks that are headquartered in Muncie, Middletown, Liberty, Winchester, Portland, Anderson, Warsaw and Decatur, Indiana.

The acquisition consists of an exchange of either (1) 1.11 shares of First Merchants for each issued and outstanding share of Lafayette's common stock (Option #1) or (2) \$30.00 in cash for each share of Lafayette common stock (Option #2). In other words, a Lafayette shareholder may elect to receive all shares of First Merchants common stock, all cash, or a combination of both for their shares of Lafayette, subject to certain limitations and restrictions.

Lafayette will have a total of 3,999,673 shares of common stock issued and outstanding including stock options at the time of closing. The purchase price premium will differ depending upon the type of election a Lafayette Shareholder will take. Mr. Schreiber referred

the Members to page 6 of their outline detailing the purchase price premium for the all stock election. Using a market value of \$23.25 per share for First Merchants' common stock as of February 4, 2002, the purchase premium for the all stock election would be \$11.15 or 1.76x book value.

Pro forma combined financial statements as of September 30, 2001, reflect, depending on the election of the shareholders, a Tier 1 leverage capital ratio between 7.96% and 8.12% with total assets of approximately \$2.6 billion and total equity capital between \$243 million and \$287 million for First Merchants.

Both First Merchants and Lafayette received satisfactory BOPEC ratings at their most recent holding company inspections.

Mr. Schreiber informed the Members that all of First Merchant's subsidiary banks and Lafayette Bank and Trust Company received Satisfactory CRA ratings at their most recent examinations for compliance with the Community Reinvestment Act.

After the acquisition, the senior management and the board of directors of Lafayette Bank and Trust Company will remain unchanged. The directors and officers of Lafayette will no longer exist.

No negative factors or comments were received by the Federal Reserve Bank of Chicago or the Department that would adversely affect First Merchants, Lafayette or the communities they serve.

The Federal Reserve Bank of Chicago approved this application on February 22, 2001.

Mr. Schreiber informed the Members that it was opinion of the staff that the applicant had satisfactorily met the requirements of IC 28-2-14 and therefore recommended the approval of the acquisition of Lafayette by First Merchants.

After a brief discussion, a motion for approval of the application was made by Mr. Depasse and seconded by Mrs. Burd. **The application was unanimously approved.**

### **CONSUMER CREDIT DIVISION**

#### **1.) Adoption of Indiana Uniform Consumer Credit Code Dollar Amount Changes**

Donna R. Kaye, Assistant to the Supervisor, Non-Depository Division, asked the Members to approve the adoption of Indiana Uniform Consumer Credit Code dollar amount changes under IC

24-4.5-106, effective July 1, 2002, based on the Consumer Price Index, U.S. City Average. The motion for approval of the dollar amount changes was made by Mr. Depasse and was seconded by Briget Polichene. **The application was unanimously approved.**

### **DIRECTOR'S COMMENTS AND REQUESTS**

**A.) Peoples Trust & Savings Bank, Boonville, Warrick County, Indiana**

On January 29, 2002 the bank notified the Department of its intent to establish a wholly owned subsidiary to be known as Peoples Insurance Service, LLC d/b/a Shelton Insurance Agency as permitted by IC 28-13-16. The main purpose of this subsidiary will be to engage in the sale of insurance products including life, accident, and health; property and casualty; and credit life, accident and health under the authority of IC 28-1-11-2. **This item was for informational purposes only.**

**B.) Farmers & Merchants Bank, LaOtto, Noble County, Indiana**

On February 1, 2002, the bank notified the Department of its intent to establish a wholly owned subsidiary, F&M Insurance, LLC pursuant to IC 28-13-16. The purpose for the subsidiary is to collect commissions from insurance sales to bank customers on bank premises. **This item was for informational purposes only.**

**C.) Monroe Bank, Bloomington, Monroe County, Indiana**

On February 12, 2002, the bank notified the Department of its intent to establish a wholly owned subsidiary to be known as MB Portfolio Management, Inc. pursuant to IC 28-13-16. The purpose of the subsidiary is to acquire, hold, sell, exchange, and otherwise dispose of and to collect the income from investment securities. **This item was for informational purposes only.**

**D.) Union Bank and Trust Company of Indiana, Greensburg, Decatur County, Indiana**

The bank notified the Department that they closed the branch banking office that was known as the "Clarksburg Branch" located at 6980 East County Road 640 North, Greensburg, Decatur County, Indiana. The branch will close on March 2, 2002, @ 5:00 p.m. **This item was for informational purposes only.**

**E.) People's Trust Company, Brookville, Franklin County, Indiana**

The bank notified the Department that they closed the branch banking office that was known as the "Milroy Branch" located at 211 Main Street, Milroy, Rush County, Indiana. The branch will close on March 2, 2002, @ 5:00 p.m. **This item was for informational purposes only.**

**F.) Legislative Review and Update**

Phil Goddard and Chris McKay will review the "Bill Status Report" on this year's legislative session that was enclosed with the Members packets. **This item was for informational purposes only.**

- G.) Director Phillips will advise the Members of actions taken pursuant to Delegated Authority. Mr. Phillips asked for any questions or clarifications of the actions, which are as follows:

**DIVISION OF BANK AND TRUST COMPANIES**

1.) **GRANT COUNTY BANK, SWAYZEE, GRANT COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch banking office to be located at **13 West Branson Street, LaFontaine, Wabash County, Indiana**. The application was received on January 25, 2002. The branch is to be known as **"Grant County State Bank"**.

The proposed building was previously a branch for Well Fargo Bank but it was closed on October 30, 2001. The bank purchased the land, building, and some furniture, fixtures, and equipment for \$72M. It is estimated that additional furniture, fixtures, and equipment will cost \$88M. The bank's ROA as of December 31, 2001, is 0.72% and its Tier 1 leverage capital ratio is 9.59%. The investment in total fixed assets to total capital is projected to be 20.38%. This will be the bank's second branch. **The Director approved this on February 13, 2002, under Delegated Authority.**

2.) **STANDARD FEDERAL BANK NATIONAL ASSOCIATION, TROY, OAKLAND COUNTY, MICHIGAN**

An application for issuance of a certificate of admission was received from Standard Federal Bank National Association, Troy, Oakland County, Michigan ("Standard Federal"). Standard Federal intends to conduct general banking and trust business through the operation of branches in Indiana. Standard Federal is the resulting bank of a merger of Standard Federal Bank, Troy, Oakland County, Michigan with and into the Michigan National Bank, Farmington Hill, Oakland County, Michigan. Prior to the merger, Standard Federal Bank operated approximately 21 branches in Indiana. These branches will become branches of the resulting bank of the merger. CT Corporation, 36 South Pennsylvania, Suite 700, Indianapolis, Marion County, Indiana has been appointed as resident agent for service of legal process by the bank. **A Certificate of Admission was issued by the Director under Delegated Authority on February 13, 2002**

3.) **WAYPOINT BANK, HARRISBURG, DAUPHIN COUNTY, PENNSYLVANIA**

An application for issuance of a certificate of admission was received from Waypoint Bank, Harrisburg, Dauphin County, Pennsylvania ("Waypoint"). Waypoint filed the application to enable it to transact business in the State of Indiana in accordance with the provisions of IC 28-1-22. Waypoint intends to purchase home improvement sales contracts and originate second mortgage loans. It will not have a physical location in the state. CT Corporation System, 36 South Pennsylvania, Suite 700, Indianapolis, Marion County, Indiana, has been appointed as resident agent for service of legal process by the bank. **A Certificate of Admission was issued by the Director under Delegated Authority on February 13, 2002.**

4.) **SKY BANK, SALINEVILLE, COLUMBIANA COUNTY, OHIO**

An application for issuance of a certificate of admission was received from Sky Bank,

Salineville, Columbiana County, Ohio ("Sky"). Sky filed the application to enable it to transact business in the State of Indiana in accordance with the provisions of IC 28-2-18 and IC 28-1-22. Sky is a commercial bank chartered by the State of Ohio. Sky will have a branch office in Indiana due to the merger of Sky Bank – Mid Am Region, Sky Bank and Sky Bank –

Ohio Bank Region. Prior to the merger Sky Bank – Mid Am Region operated a branch office at 838 Mill Lake Road, Fort Wayne, Allen County, Indiana. This office became a branch of Sky once the merger became effective December 31, 2001. CT Corporation System, 36 South Pennsylvania, Suite 700, Indianapolis, Marion County, Indiana, has been appointed as resident agent for service of legal process by the bank. **A Certificate of Admission was issued by the Director under Delegated Authority on February 13, 2002.**

### **DIVISION OF CREDIT UNIONS**

1.) **TAPER LOCK CREDIT UNION, MISHAWAKA, ST. JOSEPH COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Bremen Public Library – Bremen – 10 members (common bond of occupation as defined by 28-7-1-10)

**The Director approved this on January 13, 2002, under Delegated Authority.**

2.) **GENERAL CREDIT UNION, FORT WAYNE, ALLEN COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Homecheck Inspections, Inc. – Fort Wayne – 2 members (common bond of occupation as defined by 28-7-1-10)

Glassley Dental Group, P. C. – Fort Wayne – 4 members (common bond of occupation as defined by 28-7-1-10)

**The Director approved this on February 13, 2002, under Delegated Authority.**

3.) **TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would

place the following organizations into the field of membership of the credit union:

St. Joseph County Pharmacy Association – South Bend – 90 members (common bond of occupation as defined by 28-7-1-10)

Dollars 'n Cents – Elkhart – 2 members (common bond of occupation as defined by 28-7-1-10)

Southold Dance Theater – South Bend – 15 members (common bond of occupation as

defined by 28-7-1-10)

F&S Properties, L.L.C. – Osceola – 2 members (common bond of occupation as defined by 28-7-1-10)

Home Management Resources – South Bend – 7 members (common bond of occupation as defined by 28-7-1-10)

Marshall & Company, Inc. – Mishawaka – 1 member (common bond of occupation as defined by 28-7-1-10)

Pilkington North America, Inc. – Niles, MI – 218 members (common bond of occupation as defined by 28-7-1-10)

Blue Ribbon Products, Inc. – Indianapolis – 5 members (common bond of occupation as defined by 28-7-1-10)

New Voice Production Company – Indianapolis – 1 member (common bond of occupation as defined by 28-7-1-10)

**The Director approved this on February 22, 2002, under Delegated Authority.**

**4.) FORUM CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Employees of the City of Noblesville – Noblesville – 310 members (common bond of occupation as defined by 28-7-1-10)

Communication & Commerce, LLC – Indianapolis - 135 members (common bond of occupation as defined by 28-7-1-10)

A Magic Touch – Greenwood – 12 members (common bond of occupation as defined by 28-7-1-10)

E-Cablevision – Carmel – 1 member (common bond of occupation as defined by 28-7-1-10)

LCP Transportation – Indianapolis – 24 members (common bond of occupation as defined by 28-7-1-10)

Indiana Underground Plant Protection Service – Greenwood – 50 members (common bond of occupation as defined by 28-7-1-10)

Midwest Cabling Services, LLC d/b/a Midwest Voice & Data – Indianapolis – 27 members (common bond of occupation as defined by 28-7-1-10)

L.J. Underwriting Associates, Inc. – Indianapolis – 1 member (common bond of occupation as defined by 28-7-1-10)

NOW Courier, Inc. – Indianapolis – 250 members (common bond of occupation as defined by 28-7-1-10)

**The Director approved this on March 1, 2002, under Delegated Authority.**

5.) **KEMBA (INDIANAPOLIS) CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Commercial Food Equipment Service Association – Indianapolis – 2,000 members (common bond of professional association as defined by 28-7-1-10)

**The Director approved this on March 4, 2002, under Delegated Authority.**

There being no further business to come before the Members, a motion to adjourn the meeting was made by Mrs. Burd and seconded by Mr. Depasse. The motion was unanimously approved.

**CERTIFICATION**

The Department certifies that the business discussed in the Executive Session was limited only to business that was set out in the Department's Notice of Meeting and Agenda under the heading of "Executive Session." All action taken by the Department, if any, relating to the business discussed in the Executive Session was conducted in the Public Session.

**APPROVED:**

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**Gary M. Smith, Vice Chairman**

**ATTEST:**

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**J. Philip Goddard, Secretary**